

TAB

*Work comment from to Comptroller*

*Status of draft* →

*Bring to attention of DVA if  
Comptroller not completely satisfied!* →

SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

II and III.

CONCLUSION AND RECOMMENDATION NO. 2

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1. A comprehensive set of regulations (see [REDACTED] Agency Regulations) has been released to field stations and Agency Headquarters components specifically delegating and defining fiscal responsibilities and establishing procedures and criteria for the allotment, accounting, and custody of official funds. We are working constantly to improve and refine these procedures in the light of past experience. The Survey Team suggested that a directive be released by the DCI emphasizing the need for additional improvements in the enforcement of fiscal responsibilities at field stations. Such a directive was prepared by this Office for release by the DCI (Tab A). If it is considered advisable, a new directive on this subject in line with the Inspector General's recommendation will be drafted.

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2. It is noted that the Inspector General recommends that the Comptroller be more aggressive in recommending policies for improving fiscal management and initiating action to expose inadequate fiscal management. We have attempted to aggressively utilize the resources and manpower of the Comptroller's Office to improve financial management in the Agency to the maximum extent possible. It has been necessary of course to give proper recognition to the problems and prerogatives of the operating offices which we serve and the opinions of other senior Agency officials respecting operating factors, which sometimes limits or qualifies the type of financial controls which may be exercised. For

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3. A careful review of past accomplishments and present financial management objectives will reveal that the Comptroller has taken positive and aggressive action in the application of financial controls in conformance with Agency policy and objectives. In fact, there have been occasional complaints that the Comptroller has endeavored to control operations through the control of funds. While the Comptroller must be aggressive in designing, proposing, and enforcing financial measures which will counterbalance the spending proclivities of operating officials, he must cultivate a breadth of outlook and

a knowledge of the over-all operations and objectives of the Agency which will permit him to recognize the security, cover, and operating factors which sometimes limit, qualify, or dictate the type of financial controls which best serve the Agency's interest. It is our considered opinion, based upon past history and experience, that an overly aggressive or dictatorial attitude on the part of the Comptroller, whereby he attempts to "command" the adoption of financial policies without due regard to operating problems and prerogatives, would do more harm than good. We believe that more progressive and enduring results will be obtained by mutually working together with the operating offices in a manner which will solve problems involving both operating and budget and finance problems, since these problems are inextricably entwined; and no lasting solution of one is possible without a solution of the other.

SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 3

The Office of the Comptroller is prepared to assist the DD/A and DD/P committee, if such a committee is appointed, in a study of the problems and requirements of projects which have been given blanket waivers. It is believed that measures can be established which would provide at least some minimal controls of such projects without jeopardizing the security and cover of such activities.

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- (3) Quarterly reports have been prepared beginning 30 September 1953 indicating the financial status of the projects, showing deficiencies as applicable, supported by appropriate comments in connection with each active project.

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5. It is recommended that appropriate administrative action be taken by the DD/A, DD/P, and DD/I to insure that operating offices exercise command supervision in obtaining settlement of outstanding advances in accordance with due dates established at the time of the advance.

6. It is not considered appropriate by the Office of the Comptroller to burden the Director with additional details by providing him with a copy of delinquent advance accounts. In our opinion, the Director's attention should only be called to those accounts where the Deputy Directors are unable to obtain appropriate action. The suggestion that the Director place on the agenda of his staff meetings periodically the subject of delinquencies in advances has merit and arrangements will be made for him to comment on the subject at his January staff meeting.

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SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 6

1. The Office of the Comptroller has felt for some time that the full potential of program analysis was not being utilized, and this point was emphasized at the time the Program Analysis Staff was established in the Comptroller's Office. We believe that a comprehensive system of program analysis requires the integration and combination of quantitative data which can be compiled by the Comptroller's Office with the qualitative data which should be compiled by the Operating offices.

2. The establishment of a program for the analysis of activities-- financial and substantive--on an Agency-wide basis has the unqualified support of this Office. We are more than willing to assist in any program for the integration of the financial and statistical analyses with the operational analyses of Agency substantive operations so that an effective Program Analysis may be instituted on an over-all Agency basis.

SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 7

1. The recommendations listed under 7.a. certainly have merit and are worthy of serious and careful consideration. The Comptroller's Office will be glad to assist in every way possible to bring about improvements in the items covered under 7.a. However, it must be realized that to go all the way, the Comptroller will have to have additional personnel and the operating offices will have to consent to the Comptroller's Office having direct liaison with the special projects. Otherwise, we will not be in a position to install accounting systems in all special projects and will be unable to develop business-type budgets where feasible. We have been developing and installing accounting systems and also developing business-type budgets for special projects and outside organizations consistent with our manpower capabilities, desire of operating offices, and the security of operations.

25X1C



3. In connection with the recommendation (7.a.3.) of placing of trained fiscal officers recommended by the Comptroller in each special project where security and operational requirements will permit, it is pointed out that as a result of a memorandum dated 8 January 1953, addressed to Chief of Administration, DD/P, subject, "Placement of Agency Comptrollers or Principal Accounting Officers in Agency Controlled Projects," a joint study was conducted by a representative of the Comptroller's Office and a representative of COA/DDP. This study indicates that it is deemed to be operationally not feasible to place Agency comptroller-type personnel in the projects. Review of the project background in these cases disclosed that the projects for the most part represent indigenous organizations which operate independently of Agency control, and any effort to require the organizations to accept Agency-designated personnel would be incompatible with the indigenous nature of the activities. However, recommendations were made for the placement of Agency comptroller-type personnel, ranging in grade from GS-9 to GS-15, in fourteen projects. The COA/DDP has a copy of the report and is considering the recommendations contained therein. It may be of interest to note that

the Comptroller's Office, about a year ago, had recruited and security-cleared a surplus of comptroller-type personnel specifically for assignment to special projects but was unable to get them assigned; and as a result, they were given departmental assignments. We are now endeavoring through special recruitment by the Personnel Office to develop a reserve of this type of personnel.

4. In connection with 7.b., it is agreed that payments should be suspended when the administrative plan is not being followed. The Finance Division does suspend payments when this situation is revealed and corrective action is not taken. A certification by the approving officer and/or responsible operations officer as outlined in this recommendation would be most desirable. It may be a little difficult for the approving officer to approve all expenditures as he will have only a financial report to approve which, in all cases, does not contain a detailed list of expenditures.

25X1A

6. (Reference 7.d.) The following dissemination is made of the quarterly reports on special projects:

Project Administrative Planning Staff, DD/A, through DB/A  
Commercial Division, COA/DDP, through COA/DDP  
Auditor-in-Chief  
Chief, Budget Division, Office of the Comptroller  
Comptroller

To prepare a summary of these reports would create an additional workload on the Finance Division. However, if it is considered of sufficient importance, such summaries will be made and distributed as recommended (DD/P, DD/A, and DDCI). It should be noted that the full reports are being distributed to those who are required to take action. Also, excerpts are furnished to the respective Area Divisions of DD/P.

SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 8

1. The proposal to establish a Director's Budget Advisory Committee involves a question concerning the character of review of all phases of budget from the first brief examination of preliminary estimates to the final review and approval of specific operations with an attached authorization for a specific amount of money. Thus, it will be necessary to evaluate the approach made in the Agency to the budget review process. Basically, the policy has been to review the budget more critically in each succeeding step in the budget process. This process begins with the cursory review of preliminary estimates prior to the DCI policy meeting with the Director of the Bureau of the Budget (See comments on Recommendation No. 15) and culminates in the extensive review, including a considerable amount of staff work preparatory to consideration and recommendation by the PRC and final approval by the Director on the proposed projects and programs. It is believed that this progressively critical review is appropriate and effective for the type of operations being administered by CIA. It should be noted that one of the criticisms of budgeting in Government has been the emphasis on the formulation stage and the lack of emphasis on the execution phase of the budget. CIA has put emphasis on the execution phase. It is believed that maximum attention should be given to this last phase by the top administrative and program officers in the Agency.

2. The membership of the recommended Director's Budget Advisory Committee is substantially the same as that of the PRC. In view of the administrative and operating responsibilities of the individuals involved, the assignment of additional responsibilities to these individuals could only result in the lessening attention given to other areas of their responsibilities. The most important budget review process is the final decision as to whether an operation should or should not be initiated or be continued at the same or a higher or lower level. This decision is made on a project by project, program by program basis by the Project Review Committee. If any additional time is available to the members of the PRC, it is believed that a more searching review of operations by the Project Review Committee would be most beneficial to the Agency. The budget process involves the formulation of the budget, which constitutes a compilation of very tentative plans. Before funds are made available by allotment for execution of the budget, however, a detailed review is made of individual proposed operations prior to authorizations of their initiation or continuance. It is the belief that, from a control point of view, it is much more important to have careful, complete, and thorough top-side review of operations at that time than to place more emphasis on review of the tentative budget plans.

3. It may be of interest to note that the Department of State has discontinued the use of the Budget Committee approach. This office was informed that the Committee, when in operation, only reviewed the budget from a policy point of view. The Department of State's present budget process is about the same as that of CIA with some slight deviations.

4. The Department of Defense does use the Committee approach, e.g., the Air Force Budget Advisory Committee is composed of the following:

- Assistant for Programming, DCS/O
- Director of Operations, DCS/O
- Assistant for Material Program Control, DCS/M
- Director of Personnel Planning, DCS/P
- Assistant for Development Programming, DCS/D
- Director of Budget, DCS/C
- Assistant Chief of Staff for Reserve Forces
- The Assistant Secretary of the Air Force (Management) without vote
- The Under Secretary and the Assistant Secretary (Materiel) of the Air Force or their representative -- to be invited as observers when matters under their cognizance are to be considered by the Budget Advisory Committee

The Committee is chaired by the Director of the Budget who is organizationally responsible to the Comptroller of the Air Force.

5. If a Budget Review Committee is established, it should be specifically understood that the members thereof will devote the time required from their other duties and responsibilities to review the estimates and justifications in more or less detail down to the Division level, which will require hearings every day for approximately a two-week period. Otherwise, the Committee will become a bottleneck which will result in delayed budget preparation and presentation to the Bureau of the Budget.

6. A review of past budget history within this Agency will reveal that at one time the budget was reviewed by a committee appointed by the National Security Council and at another time by the Projects Review Committee. In fact, at one time the Agency regulations required the submission of unvouchered estimates to PRC.

7. Based on past experience, the Office of the Comptroller does not see the need for a Budget Review Committee in the formulation and preparation state but does believe that such a committee or PRC can serve a useful purpose in reviewing the operational budget just before the beginning of the fiscal year.

SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 9

1. The coordination of planning and programming, including program and project approval with the budget, has been a problem of continuing concern for the past two years. A series of meetings have been held with the DDP/PPC Staff with the view of coordinating the long term planning of the DDP area with the budget cycle. In addition, the call for budget estimates has been reviewed in the light of planning requirements and planning procedures and policies have been reviewed to determine whether they contribute to the effectiveness of the budget activities. This is an evolutionary process and one which will not be resolved quickly. Considerable progress has been made, however, which is now in the process of being formalized through the issuance of Agency regulations. Emphasis on this development will be continued within the level of available resources. It is not believed that the responsibilities for a survey should be assigned to a committee. If a general re-evaluation of present progress is believed desirable, it is felt that this should be accomplished by a staff assignment.

2. Thus, we concur in recommendation No. 9 as it relates to the coordination between planning, programming, and budgeting and are consistently working in this direction but question the need of a survey as proposed.

3. In the conclusion section relating to recommendation No. 9, the statement is made to the effect that the Bureau of the Budget desires that the Agency make faster progress in program budgeting. This matter was discussed with Mr. Routh by the Comptroller and Mr. Routh was informed that the Comptroller knew of no such desire on the part of the Bureau of the Budget. Furthermore, it is our understanding that the Bureau of the Budget believes that adequate attention is being given to program budgeting now and that satisfactory progress is being made in the submission of the Agency budget on a program basis.

SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 10

1. The Comptroller's Office proposed the use of "no-year" funds for the Agency initially in the Fall of 1952. During the hearings in connection with the budget for the Fiscal Year 1955, agreement was achieved whereby a substantial amount of the Agency budget was carried forward from prior appropriations on a limited "no-year" basis. The question of changing the over-all philosophy of availability of funds is a major change in any agency and one which is not easily made. Many people must consider the problem. They must also consider the strength and weaknesses of the present or current system and the strength and weakness of the proposed system before action on such a problem can be finally consummated. This process has been going on for the past two years. Certain weaknesses that have not been recognized at first have developed. Other benefits which were not fully appreciated previously have been established. The whole trend in appropriation technique for the last twenty years and over has been away from "no-year" funds, starting with the passage of the Permanent Appropriations Repeal Act of 1933. In fact, the proposal which has been made in connection with our funds is quite unique and is not followed by any other agency at the present time. It involves making funds available on a "no-year" basis with corollary application of an annual limitation on the use of those funds. Thus, the Agency is not proposing to transfer from one system of appropriation to another system but rather to meld certain characteristics of two separate appropriation techniques. Obviously, the development of such procedure is relatively slow and laborious. It is believed, however, that satisfactory progress has been made in accomplishing the objective of the proposal which was proposed by the Comptroller's Office. The question is not merely initiating action necessary to eliminate the fiscal year limitations on the Agency's regular funds but rather the evolving of a concept acceptable to the Agency, the Bureau of the Budget, the General Accounting Office, and the Congressional Committees involved.

2. The Office of the Comptroller will continue its efforts to resolve the problem of "no-year" funds. However, it must be understood that with the granting of "no-year" funds, some problems will be solved and others will be created. It should be realized that "no-year" funds is not the "Utopia" for all financial problems.

SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 11

1. As was explained during the course of the survey, the information contained in the notice heretofore issued will be incorporated substantially in regulation issuances. The manual, however, will be made up of instructions (as was the notice) concerning procedures and methods, with only very broad statements concerning objectives and policies of budgeting. The specific budget policies are not appropriate for inclusion in budget regulations since they vary from year to year, depending on the over-all annual budgetary policies of the Government and operational policy changes which might occur within the Agency. As a matter of fact, the Bureau of the Budget has found it impractical to include a statement of budgetary policies in their instructions to agencies concerning the preparation of annual budgets, viz., "Instructions for the Preparation and Submission of Annual Budget Estimates." These instructions have been issued during the last few years in manual form and are supplemented annually by a statement of the President's budgetary policies. These policies have been received by the Agency during the past years after the call for budget estimates were issued within the Agency. However, these policies have been disseminated in the form of a separate notice. It will also be noted that the changes in the budget instructions from the Bureau of the Budget have been so extensive that they have found it advisable to reissue their complete manual for the last two years because of the extensive changes made. Thus, in effect, the Bureau of the Budget has issued an annual notice or call for estimates.

2. As previously planned and as set forth in the Management Improvement Report and as also listed in the objectives section of the budget document submitted to the Bureau of the Budget, the Budget Division has developed several regulations and will issue a Budget Manual during the present fiscal year. Some budget instructions, however, must of necessity be continued in the form of a notice.



SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 12


1. Complete operating budgets were required for the first time in the Agency in connection with the granting of allowances for the Fiscal Year 1955. As was indicated during the course of the survey, we found certain weaknesses in these operating budgets as submitted; and based upon this experience, it is contemplated that the form of the operating budget will be substantially amended before the Call for Estimates is issued for the Fiscal Year 1956. The deficiencies which were developed, however, did not involve lack of detail in object class information.

2. In the executing of the budget, it is our purpose to grant operating officials adequate latitude of authority to permit the accomplishments of the objectives of the appropriation to the maximum extent possible within the amounts of funds made available and allocated for that purpose. The whole concept of budget development and execution is established on the premise of estimating required amounts of funds on the basis of experience by objects of expenditure. During the past twenty years, however, there has been a growing awareness that in order to accomplish the job to be done, operating officials should have adequate latitude to permit doing the job in the most economical manner even though it is not in exact conformance with the budget insofar as individual objects of expenditure are concerned. The Comptroller's Office believes that this is a sound trend and that it should be applied in this Agency.

3. In view of the size of the Agency and the complexity of its operations, it is not believed administratively advisable or feasible to establish regulations prescribing conditions and procedures under which deviations by objects of expenditure will be authorized. The whole concept of budgeting which has been in the process of development during the past two years has been directed toward justifying funds for use in achieving Agency objectives. All budget items are prepared on this basis. Objects of expenditure have been used solely for the purpose of developing details in support of these over-all budgetary objectives. The Bureau of the Budget and Congressional Committees have recognized these basic principles of budgeting; and during the past six years, there has been a concerted drive throughout the Government, headed up by the Bureau of the Budget and the General Accounting Office under the joint accounting program and with considerable support from the House Appropriations Committee, to reduce legislative limitations placed on various agencies which would partially defeat these objectives. Legislative limitations (which, in effect, are legal requirements to control operations by object of expenditure) throughout the Government were reduced during one two-year period by approximately 75%. It is not believed that this Agency should follow practices not in conformity with the general trend of budgeting in the civilian agencies of the Government. Similar trends have been developing in the military establishments, although somewhat slower than in the civilian agencies.

4. Based upon the above comments, it is planned to make rather substantial adjustments in the form of the operating budget; but we do not concur in the

25X1A recommendation to establish limitations by objects of expenditure in connection with the making of allotments.



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SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 14

Comments by COA/DDP

The necessity for, and advantages of, the handling of FI projects on a fiscal year basis is recognized by the FI Staff and that staff is now determining appropriate ways and means to put all its projects on a fiscal year basis at as early a date as possible. Study is also being given to some method by which many of the smaller projects may be grouped so that dollar limitations on each of these groups can be included in the over-all FI allotment to each field station.

SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 15

1. In the first discussions concerning a specific budget year between the DCI and the Director of the Bureau of the Budget, the problem under consideration is one of general magnitude and level of operations. It does not involve the granting of funds for the carrying-out of specific operations. It is essential that the Director be informed on the preliminary estimates which have been received from the offices prior to such a meeting to give him a general idea as to the level which his organization believes essential. Obviously, if peculiar or questionable estimates were received, discussions would immediately be held to find out the reason for the estimates and the Director would be informed of pertinent facts bearing on the estimates. It can be assumed, of course, that there are some soft spots in these estimates but that the amount involved is relatively small, percentage-wise, in relation to the total estimates received. The policies developed as a result of the discussions between the DCI and the Director of the Bureau of the Budget are of considerable value in connection with the hearings with the offices.

2. Insofar as we are aware, no other Government agency holds hearings prior to receipt of ceilings from the Bureau of the Budget.

3. For these reasons, we do not concur in Recommendation No. 15.

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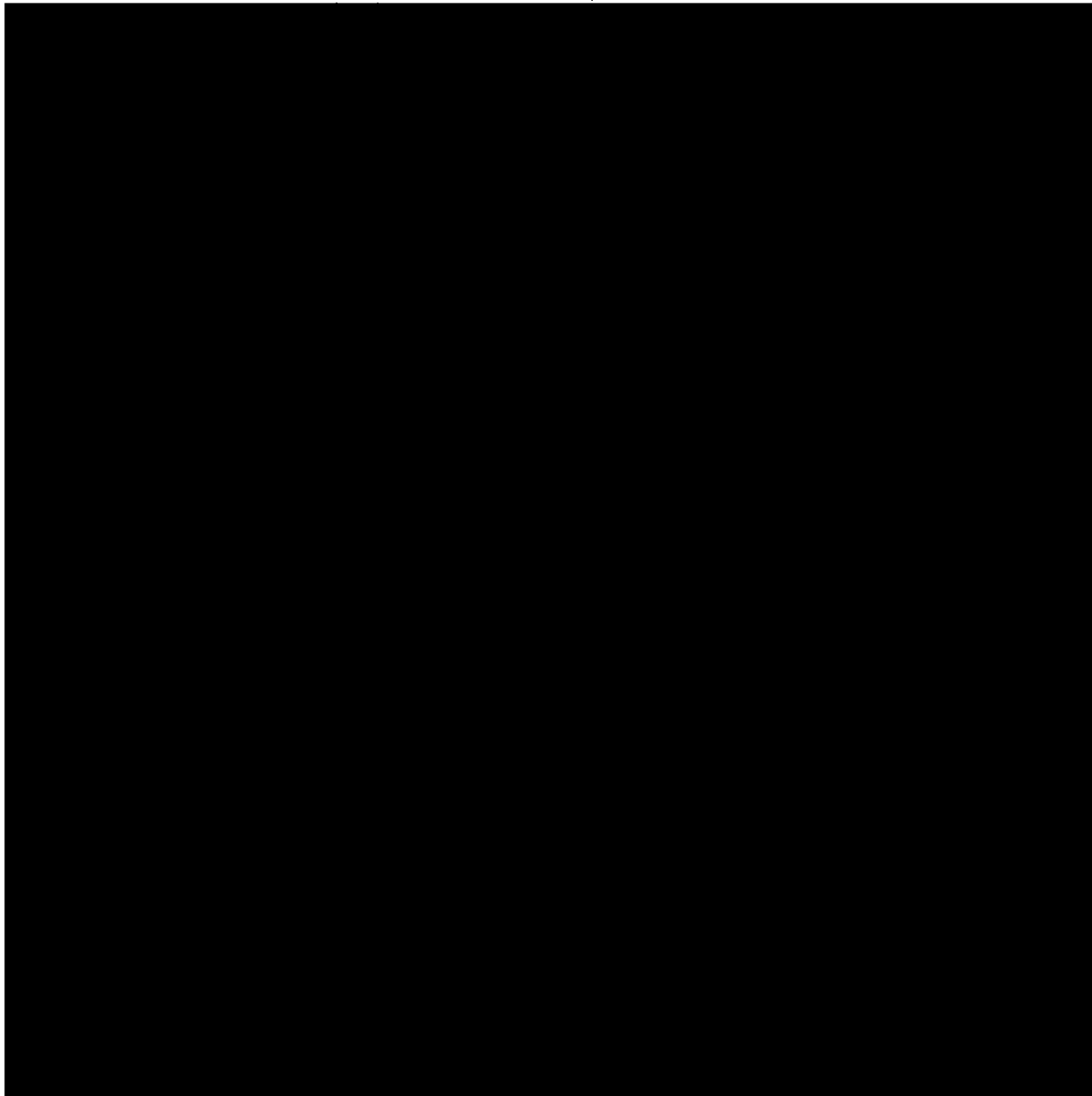
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CONCLUSIONS AND RECOMMENDATIONS NO. 22



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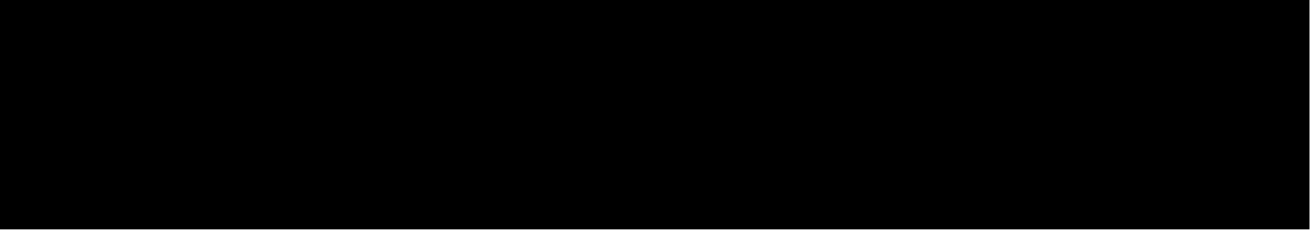


SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

CONCLUSION AND RECOMMENDATION NO. 27

1. A long-range and flexible career plan for Comptroller personnel cannot be fully implemented until the Agency's Career Program is further advanced and a selection of those individuals who will comprise the Career Corps is determined. This Office is proceeding on such selections in accordance with Agency Regulations. In the meanwhile, we are developing general long-range plans which will be consistent with the Agency Career Service Program, and we do have realistic plans for the replacement and rotation of individual employees between Headquarters and overseas stations and the development and utilization of the talents and skills of all of our employees through job rotation and training. In further support of this statement, we would like to point out that:

- a. Since January, 1953, we have rotated approximately 25X1A  
BF employees to overseas stations and [redacted] from overseas stations to Headquarters. In no case has a BF employee returned to Headquarters and assumed an unassigned status. In other words, plans had been made in advance as to his Headquarters assignment. Furthermore, general plans have been developed respecting the assignment of, and replacement of, all BF employees now serving overseas. In fact, the Comptroller's Office has been highly commended on its career service program by DD/P operational components.
- b. The Comptroller's Office has participated to some extent in 25X1A  
practically all of the training programs conducted by the Office of Training. A total of [redacted] individuals of the Office have completed various training courses since 1 July 1953. A review will indicate that the proportionate participation in these training courses by the Comptroller's Office is larger than any other component of the DD/A Office. Moreover, we have a program of on-the-job training and rotation which is utilized to familiarize employees with the over-all financial process and/or to develop a variety of financial skills.
- c. We feel that our plan for the rotation and advancement of employees has been realistic and effective in that we have systematically used certain positions in our Fiscal and Finance Divisions for developing the skills of employees and qualifying them for advancement to higher positions and more important work. For example, since 1 January 1953, we have transferred and trained a large number of personnel from our Fiscal Division for higher grades in the Finance Division. Also, we have transferred many other personnel from the Comptroller's Office to budget and finance positions within other offices on a planned career basis.



3. In this recommendation, it is stated that at least quarterly the Comptroller should disseminate a report on the achievements of his Career Service Board to all personnel in headquarters and in the field. It is the intention of the Comptroller Career Service Board to adhere to whatever policy is established by the CIA Career Council with respect to the rendition of reports. Such a policy has not as yet been established. It is not believed advisable for the Office of the Comptroller to attempt a reporting system at this time which might well be inconsistent with other Career Boards and Agency policy.

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SURVEY OF THE OFFICE OF THE COMPTROLLER BY THE INSPECTOR GENERAL

RECOMMENDATION NO. 31

Comments on the conclusions and recommendations included in the discussion section of the report concerning fiscal management procedures and administration of the Office of the Comptroller will follow in the same order as the report is prepared.

IV. DISCUSSION

A. The Comptrollership

1. After a careful review of the items listed under the heading of Comptrollership, it appears that only two items require comments, i.e., items A.5. and A.8.

2. The matter of revising the statement of the Mission and Functions of the Comptroller in Regulation 1-140 will be taken up with the Management Staff. This regulation, generally like all regulations in the beginning, was prepared in more detail but after running the gauntlet of review by experts, coordination, concurrences, and approvals, it comes out as a finished product to more or less everybody's satisfaction. The practice of publishing organizational missions and functions in the past has been to make them short, concise, and to the point in as few words as possible.

3. In A.8., the point is made that the Office of the Comptroller has not been sufficiently aggressive in some respects. A statement like this can be made in almost any investigation or survey; because no matter what is accomplished, there is always room for more accomplishments; and no one ever reaches the perfect state of any given operation, particularly in the budget and finance field. Until this perfect state is realized, there is always room for the statement that there should be more aggressiveness. As pointed out in our comments on Conclusion and Recommendation No. 2, the Comptroller's Office has been aggressive to the extent possible under existing manpower and operational circumstances peculiar to this Agency. In some officials' eyes, we have been over-aggressive.

IV. B. Budget Administration (Pages 14 thru 22)

1. Introduction - It is the view of the Budget Division that the most important development in budget improvement is the encouragement of recognition and use by senior officials of the Agency of the value of the budget as a tool of management. Considerable effort has been expended in attempting to develop a budget format which would be used in obtaining appropriations and also used by senior officials for planning and operating purposes. All accomplishments involved in the integration of planning and budgeting and the development of program budgeting during the past two years have been specifically pointed in this direction.

2. Removal of the Fiscal Year Limitations on Agency Funds - This problem has been discussed in the comments concerning Conclusion and Recommendation No. 10.

3. Budget Manual - The comments concerning this section are included in the answer to Conclusion and Recommendation No. 11.

4. Quality of CIA Budget Estimates - The substance of this section is covered in the answers to Conclusions and Recommendations No. 8, 9, and 15.

5. Budget Execution or Control of Obligation and Expenditures - This section has been covered in the comments concerning Conclusions and Recommendations No. 12, 13, 14, and 17.

C. Administration of Confidential Funds

This section of the report discusses, in general terms, the responsibility and authority of CIA for the administration of its unvouchered funds and refers to important specific documents on the subject. The Office of the Comptroller concurs in the statement as presented and believes that it is an excellent presentation of the subject.

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V. Office of the Comptroller (Page 42)

A. Budget Division

1. In reference to paragraph 2., the Chief, Budget Division, is in the process of preparing his personnel requirements for additional personnel to handle the increased volume of work involved in establishing budget structures and in reviewing budgets of proprietary and subsidy activities as recommended. The request for additional personnel, together with the justification, will be forwarded to the Management Staff in accordance with standard procedure.

2. In connection with paragraph 4., it is pointed out that this subject was discussed with Mr. Routh and he was advised that the matter of formal organization has been under consideration for some time. The Office of Personnel, Classification and Wage Division, representative has reviewed the operations of the Budget Division, and it is being formally organized into branches. It is understood that the Management Staff will make its review in the near future.

3. Paragraph 5. discusses the responsibilities of the Deputy Chief, Budget Division. The assigned functions of the Deputy Chief of the Budget Division include primarily responsibility for the coordination of activities outside the DD/P area, including the internal administration of that portion of the Division outside of the Budget Branch located in "J" Building. The Chief of the Budget Branch, "J" Building, who is responsible for the DD/P area, reports directly to the Chief of the Budget Division. In the absence of the Chief of the Division, the Deputy Chief serves as Acting Chief of the Division and, at such times, the Chief of the Budget Branch, "J" Building, reports to him. There are certain disadvantages to this method of operation. Based upon the principle of need-to-know, however, it was decided that it was a preferable method of operating the Division; and there is no intent to change this delegation of authority at this time. It should also be noted that one of the primary responsibilities of the Deputy Chief of the Division is to assist in the development of the budgetary policy of the Agency; and in so doing, he becomes generally familiar with the activities in the DD/P area, although it is not his responsibility to review or become familiar with specific proposed operations.

The comment is also made that "...there are indications that decision-making authority had not been clearly delineated to the budget analysts handling Agency components outside the Agency area." What was intended by this comment is not understood. All contacts by the Budget Division are handled by the analysts and very few contacts are made direct by other individuals in the Division. It is the policy that the analysts concerned be kept informed of all such contacts, since it is occasionally necessary to make them even though not in accordance with Division policy. It is believed the responsibilities and the authority of the analysts are fairly clearly delineated and are understood by them. As a general rule, the budget analysts do not have decision-making authority. Their position is that of analyzing and compiling the facts, discussing, conferring, coordinating, and recommending. To do otherwise would result in having too many personnel making decisions.



4. Evaluation reports are discussed in paragraph 6. The Deputy Chief of the Division has been preparing all the new evaluation reports; and it is contemplated, when the branch-type of organization is formalized, that the supervisors of each branch will prepare personnel evaluation reports.

5. Paragraph 7. covers the subject of job descriptions. One of the main purposes of the review by the Wage and Classification Division representative (see Comments in Paragraph 2 above) was to discuss with the personnel their specific jobs with a view in mind of rewriting, to the extent necessary, job descriptions in order to reflect current duties and responsibilities. Descriptions have been prepared and are being reviewed for all jobs. The new descriptions are now under consideration by the Wage and Classification Division.

6. The following statement is made in Paragraph 8: "As pointed out by the Auditor-in-Chief, the Budget Division has been duplicating the activities and responsibilities of the Office of Personnel by keeping certain records on personnel strengths." The Budget Division has not been duplicating any personnel record keeping performed by the Office of Personnel. The main purpose of the Budget Division records is to compile position utilization data which involves positions, manyears, and costs on an actual basis. This information is required in budget preparation. The Office of Personnel endeavored to rearrange their personnel records in order to furnish the information required by the Budget Division. The final result was that the Office of Personnel could not supply the required data. However, we now feel that we may be close to the solution of the problem. The Budget Division and the Machine Records Division of the Office of the Comptroller, working together with the Office of Personnel, have determined that the data currently recorded in the Machine Records Division for payroll and T/O purposes can be coordinated in such a manner as to provide the position, manyear, and cost information required for budget purposes. It is anticipated that the new procedure for keeping this information by the Machine Records Division will go into effect very soon, and the records now being maintained in the Budget Division will be discontinued as soon as the new procedure has been established.

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V. C. Finance Division (Page 46)

1. Organization and Responsibilities (Page 46)

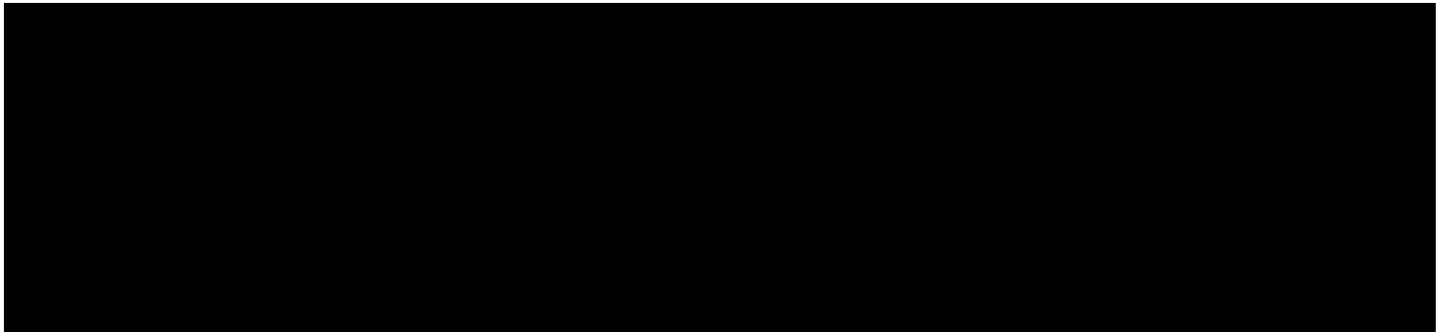
25X1A a. The Office of the Comptroller cannot agree that basically [REDACTED] employees are adequate to meet day-by-day operating requirements of the Finance Division. It is true that at the present time the Division is discharging most basic and primary responsibilities on a current basis; however, this is being accomplished only through continuous overtime requirements and "crash" efforts to cover deficiencies which inevitably arise when personnel must meet unforeseen workloads or special project requirements.

b. It is the opinion of this Office that the Finance Division personnel ceiling should be increased. As agreed with the DD/A, all requests for increases in personnel will be deferred until a Management survey is completed by the Management Staff.

2. Accounts Branch (Page 46)

No comment.

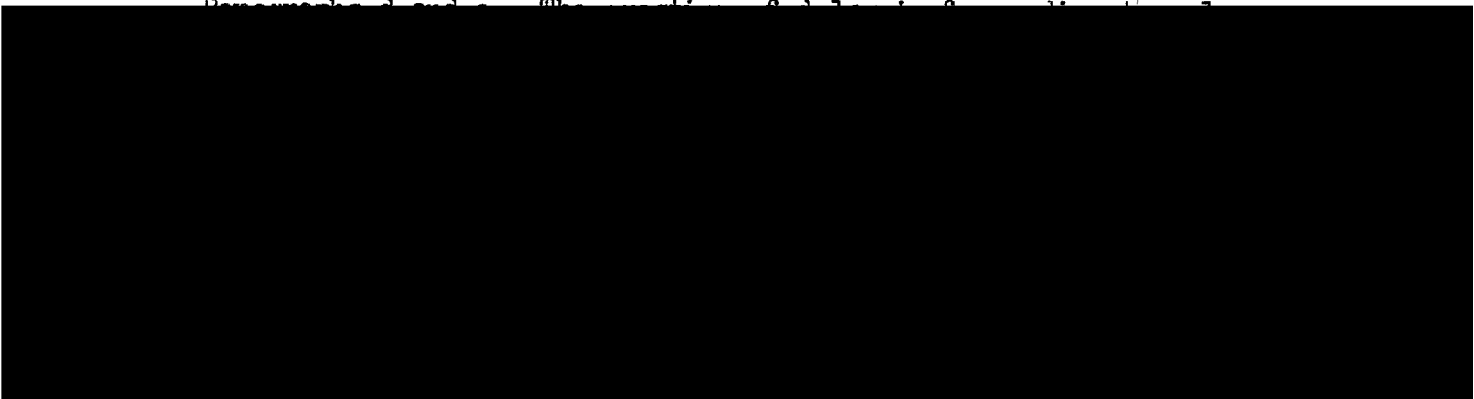
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4. Payroll and Travel Branch (Pages 48 and 49)

Paragraph c. This paragraph states a classification review should be undertaken. The Assistant Director for Personnel has been requested to conduct the classification review as recommended.

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7. Industrial Contract Audit Branch

Paragraph d. The Office of the Comptroller agrees that an increase in personnel for the Industrial Contract Audit Branch is considered essential to the accomplishment of the mission of the Branch. The DD/A deferred action on increasing the number of personnel for this particular activity until the Management Staff made a survey. However, due to the urgent need for additional personnel, the Office of Personnel has recently been requested to expedite recruitment of personnel having the special qualifications required for this type of audit work with the understanding that the ceiling may be temporarily exceeded. It should be pointed out that personnel with the necessary qualifications and experience are hard to find, e.g., the Defense Audit Agencies have many vacancies at all GS grades including GS-15, which they have been unable to fill. One of the main drawbacks to this type of work is the requirement of constant travel.

Paragraph e. The clarification of the responsibilities of the Comptroller and the Office of Logistics with respect to review and audit of procurement contracts has been accomplished through the preparation of a "Memorandum of Understanding," dated 19 October 1954, and concurred in by the following: Acting Chief of Logistics, Comptroller, Auditor-in-Chief, and a member of the Office of General Counsel.

Paragraph f. The matter of exempting procurement contracts from audit has been covered in reply to Conclusion and Recommendation No. 5.

Paragraph g. The comments made in the Survey Report relative to Project [REDACTED] have been referred to the Office of General Counsel.

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MACHINE RECORDS DIVISION

1. Reference: Paragraph 2 a. - Page 56 - V. D.

A. Discrepancies in position number have been considerably decreased due to the close working conditions between Machine Records Division, Office of the Comptroller, and the Planning and Analysis Staff, Classification and Wage Division, and Processing and Records Division, Office of Personnel. This has been accomplished by the fact that suggested steps have been accepted by the Personnel Office to:

1. Continue the span of possibilities in the position number sequence when the reorganization of an existing T/O becomes necessary. Heretofore, when assigning position numbers for new T/O's, the same position numbers that had been previously assigned were re-used, resulting in considerable confusion when matching incumbent against position;
2. Identify "project" slots by a predetermined prefix in position number. This resulted in positive identification of this special class of employees;
3. Adopt a machine method to identify "deleted" positions in the calendar quarter concerned. This is accomplished by identifying and dating the T/O card deleted from the T/O file as a result of a deletion and matching this deletion card with the incumbent assigned to that position. By this automatic process, the majority of "unassigned" personnel are identified prior to the actual processing for the Position Control Register.

B. The Machine Records Division publishes a name roster, by office, at the beginning of each month to identify for Agency components all regular staff employees who are in the unassigned category. This provides the means whereby the components involved can be made aware of the unassigned personnel and can then make an effort to rectify this situation before the next quarterly register is published.

C. Discrepancies in Personnel Punch Card records have been virtually eliminated due to a complete examination and editing of all personnel actions by the Coding Section, MRD, prior to machine processing. This examination of documents has also resulted in a decided improvement in the source document information furnished by the Office of Personnel; for example, forty-eight documents with discrepancies were returned to Transaction and Records Branch, Office of Personnel, in February, 1954, as compared to five documents in October, 1954.

D. The Personnel Branch, MRD, has had excellent cooperation from all elements in the Office of Personnel that are responsible for the initiation or recording of personnel transactions. It has been through this close contact and cooperation that considerable strides in personnel recording have been accomplished.

- E. The Machine Records Division has submitted a suggestion, which has the concurrence of the Management Staff in the form of a recommendation, that responsibility for the Personnel Information file be transferred from the Telephone Section, Logistics Office, to the Security Office.

Adoption of this recommendation should, in addition to ensuring that security aspects involved in the release of telephonic information would not be violated, establish the possibility of the use of disciplinary action to enforce proper adherence to CIA Regulation 20-800 in the reporting of personnel information changes by all Agency components.

2. Reference: Paragraph 2 b. - Page 57

- A. The Management Staff has recommended that the organization of the Machine Records Division be revised to include a Planning Staff composed of five Tabulation Project planners. These planners would be released from the detail operations, procedure writing, and administrative and supervisory duties of a branch chief and then be available for assignment to studies and surveys designed to carry out the following objectives contained in the Division's program:
1. Assist each element serviced in developing a comprehensive program detailing future requirements for work to be performed;
  2. Promote improved liaison and coordination between elements concerned with identical or similar subject matter who are using the services of this Division;
  3. Conduct indoctrination program in conjunction with each office serviced to better acquaint Agency employees with machine accounting and to explain the importance of correct source information and the use of codes and reports in order to assist the employees to do a better job and to invite suggestions for improvements;
  4. Maintain a current working knowledge of new developments in the electrical accounting and electronic data processing machine fields in order to increase the efficiency of operations.
- B. Accomplishment of the objectives outlined above would substantially improve methods of insuring the accuracy of raw data submitted and would enable full exploitation of the Division's capacity to economically perform greater services to the Agency.

3. Reference: Paragraph 2 c. - Page 57

- A. The primary qualification of any employee of the Division is a background in electric accounting machine applications, techniques, and methods of operation; and although he may be required to familiarize himself thoroughly with the detail operations of any of the various components serviced by the Machine Records Division, his advancement within the Division, nevertheless, is controlled by his knowledge of electric accounting machine

principles. However, a number of Machine Records Division employees have been transferred to other organizational units of the Comptroller's Office. These transfers were effected because of their qualifications to perform other work and/or their desire to enter a new field of endeavor

- B. It should be noted that the Machine Records Division of the Comptroller's Office has coordinated with other Machine units in the filling of vacancies and has accepted a number of personnel from other units. Also, personnel of this unit have been made available for transfer.
- C. The Office of the Comptroller agrees that it may be desirable to have career planning for employees of the Agency who are engaged in electrical accounting machine operations and methods coordinated between the various machine records units of the Agency. The Management Staff of the DD/A's Office has been requested to prepare a study of the matter and submit recommendations.

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PROGRAM ANALYSIS STAFF

Reference: Pages 59 and 60 - VI. B.

1. When Regulation 1-140 was prepared, we were considering the functions of the Comptroller under a broad concept. We felt that the Comptroller should be charged with providing and interpreting the facts and figures pertaining to Agency activities. We attempted to pattern the statement of functions of the Comptroller of this Agency after those in other Government agencies and representative commercial enterprises.

2. The Department of the Army considers the review and analysis of Army programs a prime function of the Army Comptroller. The United States Steel Company charges its Comptroller with analyzing and checking the policies and activities of the Company as well as assisting in the determination of future policies by developing and interpreting the facts for management. The Controllers' Institute considers the measuring of performance against approved operating plans and standards and the reporting and interpreting of the results of operations to all levels of management to be one of the prime functions of the controller. That is the reason the Regulation was drafted in this manner even though it was known that all of the functions could not have been carried out at that time. It was decided, therefore, to start with a financial and statistical analysis as a first step, in view of the organization of this Agency and the location of the Comptroller's Office in the organizational structure. Realistically facing the fact that operational data would not immediately be made available to this Office, we considered the mission "To develop and maintain an effective financial and program analysis" to mean the analysis of financial programs and the analysis of other activities from a financial and statistical point of view.

3. As a consequence, all planning has been in that direction. That was the primary reason why the professional positions made available were filled with accountants and statisticians. We had hoped to broaden the field of review and analysis when conditions warranted it and the required personnel made available.

4. In view of present circumstances, the Office of the Comptroller will interpose no objection to a review of Regulation 1-140. If it is to be revised, the following wording is suggested:

"Develop and maintain financial program and statistical analyses and prepare and distribute appropriately analytical financial and statistical reports and statements."

5. The use of the statement referred to in section VI. B. 3. has apparently been misconstrued. This statement was made available in answer to the query as to what a complete Agency-wide program analysis should be as against the initial limited approach undertaken by the Program Analysis Staff. That statement never was intended to represent what we felt possible of achievement under existing conditions. It was, rather, a compilation of all the elements which would have to be considered in the event that the program was broadened and an Agency-wide

analysis program instituted. At that time, the financial program analyses being prepared by the Comptroller would be combined with the substantive data furnished by other elements of the Agency and an over-all analytical report developed. Obviously, such a complete program could not be handled by the Comptroller's Office as presently constituted and with the limited number of personnel available.

6. The Comptroller has recognized the fact that there should be an expansion in the financial and statistical analyses being made; but until the policy relative to personnel ceilings has been modified, an expanded Table of Organization approved, and qualified personnel available and on hand in sufficient numbers, such an increase will not be possible. Additional junior personnel will of themselves not fill the void at this time. The need is for additional personnel who can create and interpret new financial and statistical information and bring about the preparation of reports and analyses of various types.

7. The Comptroller's Office agrees that a statistical and financial program analysis should be made at field stations. The submission of financial reports and statistical information to the Senior Representative and/or Chief of Station has been discussed with a number of Finance and Administrative Officers. They all agree that it should be done but counter with the comment that you can only do so much with so many people. Almost without exception, returnees from the Field, both PCS and TDY, report that the Field stations are overburdened with administrative matters. Appropriate amendments and/or changes in present field regulatory issuances will be prepared and dispatched to the Field covering the subject.

8. The establishment of a program for the analysis of activities--financial and substantive--on an Agency-wide basis has the unqualified support of the Comptroller's Office. We will assist in any program for the integration of the financial and statistical analyses with the operational analyses of Agency substantive operations so that an effective over-all Program Analysis may be instituted on an Agency-wide basis.